

IN THE IOWA DISTRICT COURT FOR POLK COUNTY

THE STATE OF IOWA ex rel.
THOMAS J. MILLER,
ATTORNEY GENERAL OF IOWA,
99AG25112
and CRAIG A. GOETTSCH,
SUPERINTENDENT OF SECURITIES

Plaintiff,

v.

THE WOLFORD GROUP, INC.,
THE WOLFORD CORPORATION,
RODNEY WOLFORD, SR.,
RODNEY WOLFORD, JR., and,
FNBD, L.L.C., a/k/a, 1st NATIONAL
BANK OF DAD, L.L.C., RACHEL
NELSON, and DANIEL BROWN

Defendants.

EQUITY NO. CE 47069

**CONSENT JUDGMENT
(THE WOLFORD GROUP, INC.,
THE WOLFORD CORPORATION,
FNBD, L.L.C., RODNEY WOLFORD,
SR., AND RODNEY WOLFORD, JR.)**

FILED
POLK COUNTY IOWA
07 SEP -6 PM 2:52
JERRY DISTRICT COURT

This Court, recognizing that the plaintiff, by Deputy Attorney General Jeffrey Peterzalek, and defendants The Wolford Group, The Wolford Corporation, FNBD, L.L.C., and Rodney Wolford, Sr., represented by John Roehrick, and Rodney Wolford, Jr., pro se, have consented to the entry of this judgment, finds as follows:

1. The Court has jurisdiction over the parties and the subject matter of this litigation.
2. Venue is proper in Polk County.
3. Plaintiff commenced this action by filing suit on August 20, 2003, in this Court alleging defendants The Wolford Group, Inc., The Wolford Corporation, FNBD, L.L.C., Rodney Wolford, Sr., and Rodney Wolford, Jr. violated the Iowa Consumer Fraud Act, Iowa Code section 714.16 (2003). The petition was amended on December 1, 2003 to include allegations of violations of the

Iowa Uniform Securities Act, Iowa Code chapter 502, in connection with the offer and/or sale of unregistered securities and to add defendants Daniel Brown and Rachel Nelson.

4. Plaintiff is the State of Iowa, ex rel. Thomas J. Miller, the duly elected Attorney General of Iowa and the Iowa Securities Bureau of the Iowa Insurance Division.

5. Defendant The Wolford Group, Inc. is an inactive Iowa corporation with its most recent home office at 5201 Fleur Drive, #1, Des Moines, Iowa.

6. Defendant, The Wolford Corporation, is an inactive Iowa corporation with its most recent home office at 5201 Fleur Drive, Des Moines, Iowa.

7. Defendant, FNBD, L.L.C. is an inactive Iowa corporation with its most recent home office at 4241 Fleur Drive, Suite 1, Des Moines, Iowa.

8. Defendant Rodney Wolford, Sr., was President and director of The Wolford Group, The Wolford Corporation, and FNBD, L.L.C. Defendant Wolford Sr. was named in the Petition in his individual capacity. The State alleged that defendant Wolford Sr. personally participated in, controlled, directed, formulated and implemented the business practices alleged in the Petition.

9. Defendant Rodney Wolford, Jr., was an officer and director of The Wolford Group and The Wolford Corporation. Defendant Wolford Jr. was named in the Petition in his individual capacity. The State alleged that Defendant Wolford Jr. personally participated in, controlled, directed, formulated and implemented the business practices alleged in the Petition.

10. The State has alleged that defendants Wolford Group, Wolford Corporation, FNBD, Wolford, Sr., and Wolford, Jr. violated Iowa Code section 714.16(2)(a) through various business practices.

11. The State also alleged that defendants Wolford Group, Wolford Corporation, FNBD, Wolford, Sr., and Wolford, Jr., sales practices directed to consumers wishing to sell or buy homes constituted a violation of Iowa Code section 714.16(2)(a).

12. The State further alleged that defendants' offer and/or sale or aiding and abetting in the offer and/or sale of notes and/or evidence of indebtedness and/or investment contracts constitutes a violation of Iowa Code section 502.201.

13. The State also alleged that defendants' Wolford Corporation, Wolford Group, Inc., and Wolford, Sr.'s employment of unregistered agents in the offer and/or sale of securities constitutes a violation of Iowa Code section 502.301(2).

14. The State further alleged that defendants' recommendations of the purchase of a security without reasonable grounds to believe that the transactions or recommendations were suitable were unlawful pursuant to Iowa Code section 502.404.

15. The State also alleged that defendants' conduct constitutes the making of a false and/or misleading statement in a document filed with the administrator of chapter 502 in violation of Iowa Code section 502.405.

16. Defendant Rodney Wolford, Sr., was adjudged guilty of seventeen (17) related theft and securities charges on February 22, 2006. (*State v. Wolford, et al.*, District Court, Polk County, Iowa, FECR184396.) As of the date of this Consent Judgment, appeal of the criminal convictions is pending.

17. Defendant Rodney Wolford, Jr., entered a guilty plea to related criminal charges on February 28, 2005. Defendant Rodney Wolford, Jr. pled guilty to two (2) counts of theft in the first

degree and one (1) count of securities fraud. (*State v. Wolford, et al.*, District Court, Polk County, Iowa, FECR184397.)

18. On September 5, 2003, the district court appointed a receiver and entered an asset freeze against defendants The Wolford Corporation and the Wolford Group, and the principals of both organizations. On November 17, 2003, the district court entered an Order Nunc Pro Tunc clarifying that the receiver's powers extend to the individual defendants only in their respective capacities as officers or employees of the corporate defendants and only as necessary to discharge the receiver's duties and obligations as determined by the receiver in his business judgment. On November 22, 2006, the district court entered an order amending the receiver's powers and duties to allow the receiver to sign for any land trust for which defendants Rod Wolford, Sr. or Rachel Nelson served as trustees. On December 11, 2006, signatory authority for any land trust for which defendant Rodney Wolford, Jr. or Salient, L.L.C. served as trustees was ordered.

19. On September 29, 2003, the receiver determined that defendants The Wolford Corporation and The Wolford Group could not meet their financial obligations and placed defendants into bankruptcy. (In re Wolford Corporation, 03-05764 (S.D. Iowa) and In re Wolford Group, Inc., 03-0765 (S.D. Iowa)).

20. Since the filing of bankruptcy, the receiver and the bankruptcy trustee have liquidated all the assets of the corporate defendants and have worked diligently to assist buyers and sellers in obtaining clear title to the affected properties.

21. Prior to and subsequent to the filing of the case at issue, a substantial number of staff hours were devoted by the Iowa Attorney General's Office to assisting affected home buyers and sellers address and resolve credit and other related issues including, but not limited to, obtaining

clear title to affected properties when possible and clearing negative credit histories. Additional assistance in this effort was provided by the Federal National Mortgage Association (FNMA), various lenders, and the non-profit community group, Citizens for Community Improvement (CCI). Assistance to the affected investors was provided by both the Iowa Insurance Division and the Iowa Attorney General's Office.

22. Defendants Wolford Group, Wolford Corporation, FNBD, Wolford, Sr., and Wolford, Jr. acknowledge and agree that entry of this Consent Judgment may negatively affect an application to become licensed as a broker-dealer, agent, investment adviser and/or investment adviser representative pursuant to Iowa Code chapters 502 (2007), as an insurance producer pursuant to Iowa Code chapter 522B (2007), and may affect any other application for professional licensure in this state or any other. In the event that any of the above-listed defendants make such application for licensure, those defendants agree that all statements and allegations set forth in the State's Amended Petition shall be deemed to be admitted for the purpose of establishing the individual applicant's qualifications for licensure.

23. In the event defendants Wolford Group, Wolford Corporation, FNBD, Wolford, Sr., or Wolford, Jr. should enter bankruptcy, those defendants agree not to oppose any motion for the entry of orders granting relief from any stay for the State to proceed to judgment in any civil action. This includes the bankruptcy filed by defendants Wolford Group and Wolford Corporation currently pending in the United States Bankruptcy Court for the Southern District of Iowa.

24. The parties expressly warrant that in evaluating whether to execute this Consent Judgment the parties represent and agree that the mutual promises, covenants and obligations set forth herein constitute a contemporaneous exchange for new value given to defendants, within the

meaning of 11 U.S.C. section 547(c)(1).

25. Defendants Wolford Group, Wolford Corporation, FNBD, Wolford, Sr., and Wolford, Jr. acknowledge that they are receiving reasonably equivalent value, so as to take these promises, covenants and obligations outside the purview of 11 U.S.C. section 548 (a)(1)(B)(i).

26. Defendants Wolford Group, Wolford Corporation, FNBD, Wolford, Sr., and Wolford, Jr. agree to give written notice of any bankruptcy filing to:

Iowa Attorney General's Office
Jeffrey Peterzalek, Deputy Attorney General
1305 E. Walnut Street
Des Moines, IA 50319
Telephone: 515-281-5124
Facsimile: 515-281-4209

IT IS ORDERED, ADJUDGED AND DECREED that:

A. Pursuant to Iowa Code section 714.16(7), defendant Rodney Wolford, Sr., and any officers, directors, employees, agents, successors and assigns, and all other persons acting in concert with or participating with defendant Rodney Wolford, Sr., who have actual or constructive notice of this order, are hereby RESTRAINED and ENJOINED from engaging in the business of buying, selling, renting, leasing, or otherwise transferring any interest in real estate exclusive of dower interests, in exchange for any form of remuneration, in or from the state of Iowa, nor shall defendant assist or support in any manner any other person or entity engaged in that business or hold any ownership interest in such business.

B. Pursuant to Iowa Code section 714.16(7), defendant Rodney Wolford, Jr., and any officers, directors, employees, agents, successors and assigns, and all other persons acting in concert with or participating with defendant Rodney Wolford, Jr., who have actual or constructive notice of

this order, are hereby RESTRAINED and ENJOINED from engaging in the business of buying, selling, renting, leasing, or otherwise transferring any interest in real estate in exchange for any form of remuneration, in or from the state of Iowa, nor shall defendant assist or support in any manner any other person or entity engaged in that business or hold any ownership interest in such business.

C. Pursuant to Iowa Code section 502.604(2), defendants Wolford Group, Wolford Corporation, FNBD, Wolford, Sr., and Wolford, Jr. and their officers, directors, employees, agents, successors and assigns, and all other persons acting in concert with or participating with defendants, who have actual or constructive notice of this order, are hereby RESTRAINED and ENJOINED from all of the following:

- 1) Offering and/or selling registered, unregistered, and/or exempt securities in violation of Iowa Code section 502.301 (2007);
- 2) Transacting business as a broker-dealer, agent, investment adviser and/or investment adviser representative in violation of Iowa Code sections 502.401-.405 (2007);
- 3) Employing unregistered agents in connection with the offer and/or sale of securities in violation of Iowa Code section 502.408(2007);
- 4) Employing, directly or indirectly, any device, scheme, or artifice in connection with the offer and/or sale of securities in violation of Iowa Code section 502.501 (2007);
- 5) Making untrue statements of material fact or omitting to state material facts necessary to make any statements made not misleading in connection with the offer and/or sale of securities in violation of Iowa Code section 502.501

(2007);

- 6) Recommending to a customer the purchase, sale or exchange of a security without reasonable grounds to believe that the transaction or recommendation is suitable for the customer based upon reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and other known relevant information in violation of Iowa Code section 502.501A (2007).
- 7) Dissipating, secreting, or otherwise disposing of any and all investor funds in their possession and/or under their control;
- 8) Assisting or supporting in any manner any other person or entity engaged in the offer or sale of registered, unregistered, and/or exempt securities or engaged in the transaction of business as a registered or unregistered broker-dealer, agent, investment adviser and/or investment adviser representative;
- 9) Holding any ownership interest in an entity engaged in the offer or sale of registered, unregistered, and/or exempt securities or engaged in the transaction of business as a registered or unregistered broker-dealer, agent, investment adviser and/or investment adviser representative; and
- 10) In any other respect violating Iowa Code chapter 502 (2007).

D. Defendants Wolford Group, Wolford Corporation, FNBD, Wolford, Sr., and Wolford, Jr. are hereby ordered to pay to the Iowa Attorney General's Office and the Iowa Insurance Division for purposes of reimbursement of real estate buyers and sellers and restitution to investors the sum of \$2,431,808 (Two Million Four Hundred Thirty-One Thousand Eight Hundred and Eight Dollars).

All payments made pursuant to a restitution order(s) entered in Polk County case number FECR184397 or pursuant to a related civil judgment filed as of the date of filing of this Consent Judgment shall be deducted from the above amount. Liability for this amount shall be joint and several among defendants Wolford Group, Wolford Corporation, FNBD, Wolford, Sr., and Wolford, Jr. Payments shall be made to the Iowa Attorney General's Office on behalf of the Iowa Insurance Division.

E. Defendant Wolford, Sr. is hereby additionally ordered to pay a civil penalty in the amount of \$120,000.00 (One Hundred Twenty Thousand Dollars) to the Iowa Attorney General's Office pursuant to section 714.16(7) and a civil penalty in the amount of \$120,000 (One Hundred Twenty Thousand Dollars) to the Iowa Insurance Division pursuant to section 502.603(2)(b)(3).

F. Defendant Wolford, Jr. is hereby additionally ordered to pay a civil penalty in the amount of \$120,000 (One Hundred Twenty Thousand Dollars) to the Iowa Attorney General's Office pursuant to section 714.16(7) and a civil penalty in the amount of \$120,000 (One Hundred Twenty Thousand Dollars) to the Iowa Insurance Division pursuant to section 502.603(2)(b)(3).

G. Defendants Wolford Group, Wolford Corporation, FNBD, Wolford, Sr., and Wolford, Jr. are hereby additionally ordered to pay to the Iowa Attorney General's Office the sum of \$378,456.38 for reimbursement of attorney fees and cost of investigation. Liability for this amount shall be joint and several among the defendants.

H. This Consent Judgment shall not bar the State or any other governmental entity from enforcing other laws or rules against defendants relating to any of defendants' practices, including those alleged in the petition, and shall have no impact on any cause of action which could be brought against any of the defendants by a private party.

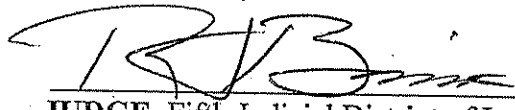
I. Defendants Wolford Group, Wolford Corporation, FNBD, Wolford, Sr., or Wolford, Jr. shall pay any and all court costs incurred in this action. Liability for this amount shall be joint and several among the defendants.

J. The Court reserves jurisdiction over this action in order to take any further action deemed necessary to enforce this judgment and to award the State judgment for any costs, including attorneys fees, it incurs in the event of noncompliance by a defendant.

K. The Court also reserves jurisdiction over this action in order to take any further action deemed necessary by the receiver and approved by the Court.

L. Pursuant to Iowa Code sections 502.603(2)(b)(3) and 714.16(7), the Court may impose a civil penalty of not more than \$5,000 for each day of intentional violation of this Consent Judgment in addition to any other remedy allowed by law, including but not limited to punishment for contempt pursuant to Iowa Code chapter 665 (2007).

IT IS SO ORDERED this 6th day of Sept, 2007.


JUDGE, Fifth Judicial District of Iowa
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Copies to:

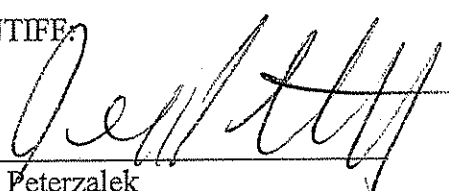
Jeffrey Peterzalek, Deputy Attorney General

John Roehrick


Virgil Moore

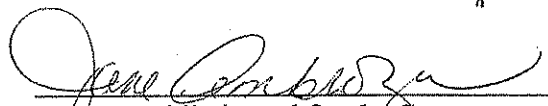
By their signatures, the parties hereby agree to the terms of this Consent Judgment:

PLAINTIFF:


Jeffrey Peterzalek
Deputy Attorney General
Counsel for the State of Iowa


Executed before the undersigned Notary Public on this 6th day of ~~August~~, 2007, by Jeffrey Peterzalek.
September


James Mumford
Deputy Commissioner
Iowa Insurance Division


Notary Public in and for the State
of Iowa



Executed before the undersigned Notary Public on this 6th day of ~~August~~, 2007, by James Mumford.
Sept.


Notary Public in and for the State
of Iowa



DEFENDANTS:

Defendant Rod Wolford, Sr.:


RODNEY WOLFORD, SR.

Executed before the undersigned ~~Notary Public~~ on this 31 day of August, 2007, by Rodney Wolford, Sr.

~~Notary Public~~ in and for the State
of Iowa.

RODNEY WOLFORD, JR.

Notary Public in and for the State
of Iowa.

WES HUISINGA, BANKRUPTCY TRUSTEE
(On behalf of The Wolford Group, Inc.)


Notary Public in and for the State
of Iowa.

WES HUISINGA, BANKRUPTCY TRUSTEE
(On behalf of The Wolford Corporation.)

-12-


Notary Public in and for the State
of Iowa.

Defendant FNBD, LLC., a/k/a First
National Bank of Dad, LLC:



RODNEY WOLFORD, SR.
(As President and on behalf of The FNBD, LLC.)

Executed before the undersigned ~~Notary Public~~ on this 31 day of
August, 2007, by Rodney Wolford, Sr.



~~Notary Public~~ in and for the State
of Iowa.

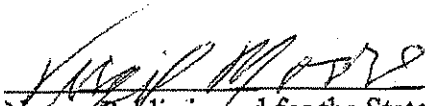
Notary Public in and for the State
of Iowa.

Defendant Rod WOLFORD, Jr.:


RODNEY WOLFORD, JR.

Executed before the undersigned Notary Public on this 29th day of
August, 2007, by Rodney Wolford, Jr.

VIRGIL MOORE
IOWA NOTARIAL SEAL
Commission Number: 205599
My Commission Expires:
9/15/2009


Notary Public in and for the State
of Iowa.

Defendant The Wolford Group, Inc.:

DENNIS DIETZ, RECEIVER
(On behalf of The Wolford Group, Inc.)

Executed before the undersigned Notary Public on this _____ day of
August, 2007, by Dennis Dietz.

Notary Public in and for the State
of Iowa.

Defendant The Wolford Corporation:

DENNIS DIETZ, RECEIVER
(On behalf of The Wolford Corporation.)

Executed before the undersigned Notary Public on this _____ day of
August, 2007, by Wes Huisinga.

Notary Public in and for the State
of Iowa.

Defendant Rod WOLFORD, Jr.:

RODNEY WOLFORD, JR.

Executed before the undersigned Notary Public on this _____ day of
August, 2007, by Rodney WOLFORD, Jr.

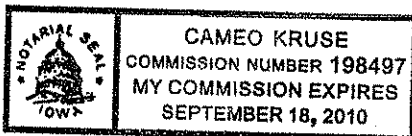
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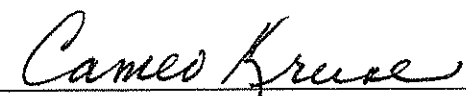
Defendant The WOLFORD Group, Inc.:



WES HUISINGA, BANKRUPTCY TRUSTEE
(On behalf of The WOLFORD Group, Inc.)

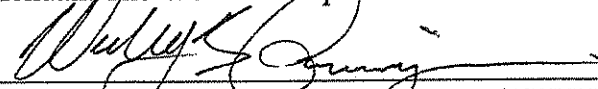
Executed before the undersigned Notary Public on this 5th day of
~~August~~ September, 2007, by Wes Huisinga.





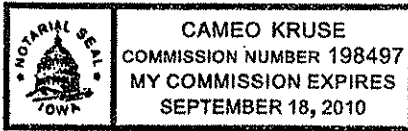
Notary Public in and for the State
of Iowa.

Defendant The WOLFORD Corporation:



WES HUISINGA, BANKRUPTCY TRUSTEE
(On behalf of The WOLFORD Corporation.)

Executed before the undersigned Notary Public on this 5th day of
~~August~~ September, 2007, by Wes Huisinga.



Cameo Kruse
Notary Public in and for the State
of Iowa.

Defendant FNBD, LLC., a/k/a First
National Bank of Dad, LLC:

RODNEY WOLFORD, SR.
(As President and on behalf of The FNBD, LLC.)

Executed before the undersigned Notary Public on this _____ day of
August, 2007, by Rodney Wolford, Sr.

Notary Public in and for the State
of Iowa.